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ABSTRACT

This lesson on managing a business, the 11th in a series of 18 units, is part of the first level of a comprehensive entrepreneurship curriculum entitled: A Program for Acquiring Competence in Entrepreneurship (PACE). (Designed for use with secondary students, the first level of PACE introduces students to the concepts involved in entrepreneurship and helps them become aware of entrepreneurship as a career option.) The following topics are covered in the unit: the role of management in operating a business, the steps involved in the decision-making process, the functions of management, and the rewards and problems of the management role. Included in the lesson are instructional text organized in a question-and-answer format, individual and group learning activities, a case study, and assessment questions. (MN)

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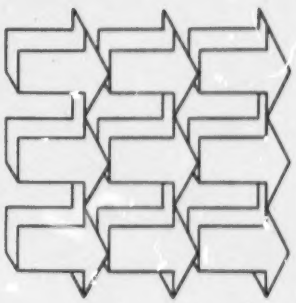
UNIT 11

☑ Level 1

☐ Level 2

☐ Level 3

PACE
REVISED
Program for Acquiring Competence in Entrepreneurship



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Managing The Business

Developed by M. Catherine Ashmore and Sandra G. Pritz

You will be able to:

- **Explain the role of management in operating a business**
- **List the steps involved in the decision-making process**
- **Define and explain the functions of management**
- **Identify rewards and problems of the management role**

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Research & Development Series No. 240 AB 11

BEFORE YOU BEGIN. . .

1. Consult the *Resource Guide* for instructions if this is your first PACE unit.

2. Read the Unit Objectives on the front cover. If you think you can meet these objectives now, consult your instructor.

3. Look for these business terms as you read this unit. If you need help with their meaning, turn to the Glossary in the *Resource Guide*.

   data
   decision-making process
   management functions
   managerial assistance
   personnel

MANAGING THE BUSINESS

WHAT IS THIS UNIT ABOUT?

As people organize to reach a goal in business, management becomes essential. Good management is the key to success in any business—especially a small business.

The purpose of this unit is to give you a general description of the management process. As you study the unit, you will learn about the responsibilities of the manager of a small business. You'll also have an opportunity to learn decision-making skills that will help you become an effective entrepreneur.

The unit explains management functions such as planning work, organizing people and resources for work, and controlling and evaluating work.

HOW IMPORTANT ARE THE MANAGEMENT FUNCTIONS FOR BUSINESS SUCCESS?

You have a dream of owning and operating your own business. Others have also dreamed of becoming entrepreneurs. The dream has become a reality for some, but not for all. If you could sit down and talk with these "dreamers," you would probably find that each has had different successes and failures. All of them would be most likely to agree with these two statements.

- Almost all their successes could be attributed directly or indirectly to good management practices.
- Almost all their failures could be attributed directly or indirectly to a management breakdown or oversight.

To help you develop an understanding of management, you will need to become familiar with the decision-making process and the functions of management. These are the very basic tools of managing. If you use these tools wisely and are willing to work hard, you will probably make your dream of owning a small business a reality.

DO GOOD MANAGERS POSSESS SPECIAL SKILLS?

Just what is it that a manager does that is so vital to success? Simply stated, the manager's primary task is to plan and direct the work of others in a way that allows the business to reach its goals. In order to do this, managers go through the steps of planning organizing, staffing, directing, controlling, and evaluating. For each of these steps, managers must make many decisions. Skill in decision making is often the factor that makes the difference between a manager's success or failure.

WHY ARE DECISIONS SO IMPORTANT?

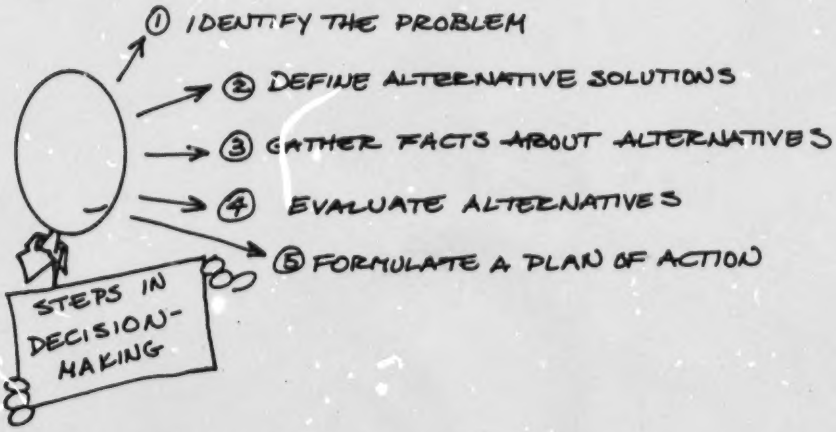
Decision making is an important part of daily life. For the owner/manager of a small business, the ability to make decisions is vital. If business owners make good decisions, their businesses probably will be successful. If managers make bad decisions, their businesses may fail.

Before looking at how entrepreneurs make decisions, it might be helpful to examine how most people make everyday decisions. Suppose you wanted to help your friend, Susan, decide how to get to work every day. Would you advise her to—

- buy a car,
- find a car pool,
- ride public transportation,
- walk?

What would you advise Susan to do? If you felt you did not have enough information to make a decision, you were right. Good decisions depend on knowing everything you can about a problem. Decisions made without enough information are often disappointing to everyone concerned.

In making a decision, many people do not explore all the alternatives available. Susan's problem is an example. Four options have been mentioned. But perhaps there are more. Before you can make an informed decision on the problem, you need more information. A decision-making process will help you identify your options and then make the best decision.


① IDENTIFY THE PROBLEM
② DEFINE ALTERNATIVE SOLUTIONS
③ GATHER FACTS ABOUT ALTERNATIVES
④ EVALUATE ALTERNATIVES
⑤ FORMULATE A PLAN OF ACTION
STEPS IN DECISION-MAKING

WHAT ARE THE STEPS IN DECISION MAKING?

The usual decision-making process involves five steps. Look at each step with Susan's problem in mind.

1. **Identify the Problem.** Before you can make any decision, you must know what the problem is. Whom does the problem affect? Where does it occur? What are the circumstances?

   Consider Susan's problem of getting to work. Susan lives in California, five miles from the factory where she works. Until recently, Susan had been riding to work with a neighbor—but now the neighbor is moving to another part of town. Susan must get her own transportation.

   She doesn't want to spend the cash necessary to buy, insure, and operate a car. Neither does she find the bus schedule in her outlying residential area convenient. Based on this

information, you can now identify Susan's problem more accurately: she needs low-cost, dependable transportation for a trip of ten miles per day to and from work.

2. **Define Alternative Solutions.** The next step in the decision-making process is to identify alternatives or options. For our example, exactly what choices does Susan have in getting to her job? She has the following options available.

   - She could walk or run.
   - She could buy a bicycle.
   - She could buy a motorized bike.
   - She could buy a used car.
   - She could buy a new car.
   - She could take a bus.
   - She could hitchhike.
   - She could take a taxi.
   - She could join a car pool.
   - She could advertise for a ride to work.
   - She could move to within easy walking distance of the factory.
   - She could look for a new job closer to her present home.
   - She could share her apartment with another person who had a car and worked at the factory.

   Can you think of any other options or alternatives? If so, add them to the list. In decision making, it is important to identify as many alternatives as possible. Sometimes an unlikely idea can stimulate you to think of the perfect solution to the problem.

3. **Gather Facts about the Alternatives.** Some alternatives are better than others. Anyone can omit the really poor options, but it takes some study to differentiate between ones that seem good. In Susan's case, she should attempt to find the exact cost of each option. She should also consider other resources she might need for each one. For example, does she have time to walk to and from work? Is her current apartment large enough to accommodate a roommate? These are just a few of the things Susan will want to think about before she can make an informed decision.

4. **Evaluate the Alternatives.** A workable alternative for one person may be a disaster for another. People are different in their likes, dislikes, and values. Differences or individual values must be considered and thoroughly evaluated in formulating a solution. For example, the option Susan selects will probably be different from the one you might choose. Each alternative needs to be evaluated in terms of its possible outcomes; then *one* alternative can be chosen.

   In this example. Susan decided to buy a motorized bicycle. This inexpensive but dependable mode of transportation could easily get her to work in ten minutes. After work, she could pedal part of the way home and get the exercise she needs to stay physically fit.

5. **Formulate a Plan of Action.** A plan of action must be made and implemented before the decision-making process is complete. Merely deciding on an action does not make it take place. You must plan exactly what to do to make your decision work—and then do it. Before Susan's plan could work, she had to do some comparative shopping and buy the motorized bicycle. Then Susan had to check the legal requirements to find out if a title and license were needed. She also had to plan to buy a lock and insurance. In addition, Susan wanted a carrier or knapsack for her purse, her lunch, and any other personal belongings she might wish to take to work. Finally, she had to choose the best route with the least traffic to and from work each day. All these elements formed her plan of action.

   Susan used the decision-making process to make an informed decision that fit her life-style. At times you might want to use this procedure in your personal life. This organized method of making decisions is very important to entrepreneurs in running their businesses.

HOW IMPORTANT IS IT TO USE EACH STEP IN THIS DECISION-MAKING PROCESS?

Many times entrepreneurs can turn to experts on their staff for help in decision making. In a small business, however, managers must make most decisions by themselves.

Often managers find that identifying the real problem is the hardest part of decision making. What appears to be the problem may be only a symptom of the problem. For example, the problem might appear to be laziness and slow production on an assembly line, when, in fact, it could be a personality conflict between workers and their supervisor. Accurately defining the problem is critical to making the "right" decision.

Most successful managers develop several alternative solutions. The more imaginative and open-minded you are, the more alternative solutions you can identify. The number of alternatives is limited only by your imagination.

For example, the management of Manufacturers, Inc., could identify only one alternative for their problem. Their problem was a plant so

obsolete that it could not compete with newer plants. Managers felt their only alternative was to build a modern plant nearby. Can you think of other alternatives these managers could have considered? Below are some suggestions.

- What about updating existing facilities?
- What about renting new premises?
- What about consolidating with another plant?
- What about building in a new location closer to the source of raw materials?
- What about buying ready-made parts and assembling them in the old plant?
- What about converting from manufacturing to distribution of products?

These and other alternatives could probably have been identified had the managers of Manufacturing, Inc., used their imaginations.

When managers gather facts and evaluate alternatives, they must match the amount of time spent to the importance of the problem. For instance, it does not make sense to spend weeks gathering information on what kind of typewriter to buy. On the other hand, major decisions could involve large amounts of money or the development of company policies that will affect many of the company's operations. These decisions deserve considerable time and study.

Even after much study, however, you may still be left with more than one alternative from which to select. If these are not very different, you may have to make an "educated guess." To make educated guesses, managers rely on their experiences. Other times they rely on their intuition or "hunches." They may have a strong feeling that one of the decisions is better than the other. They select the decision that feels right.

Once the decision is made, you must develop a plan for putting it into action. A person responsible for carrying out the decision must also be chosen.

WHAT ELSE DO MANAGERS DO?

Although decision making is a very important aspect of every manager's job, an even more important task is to make things happen so the business can achieve its goals. To accomplish this, managers work mainly with data and people. They use all the information available to develop plans that will make the firm's work go smoothly. Managing involves getting all parts of the business (including personnel, marketing strategies, finances, and records) to function together to achieve the firm's goals.

No two days are exactly the same for managers. They have a variety of duties to perform. Daily demands often result in changing

schedules to meet new problems. The weekly schedule of Bob Doe on the next page illustrates this process. Bob is the manager of a small construction company employing a bookkeeper, a draftsperson, three supervisors, and ten construction workers.

No two managers have jobs that are the same. The jobs are shaped by the type of business and the personality of the individual manager. In the later example, Joan Schmidt owns a small gift shop that sells handmade items. She tends the shop herself in the morning. In the afternoon she employs a part-time salesperson who also makes items when no customers are in the shop. During afternoons, Joan does the bookkeeping.

WHAT ARE THE FUNCTIONS OF MANAGEMENT?

Although Joan and Bob are on very different schedules, their work has many things in common:

- Both perform a variety of duties each week.
- Both plan, organize, and control the work of other people.
- Both give and receive a lot of information.
- Both use their own judgment and are responsible for their decisions.
- Both guide their companies toward their business goals.

The following examples of Joan and Bob's weekly work schedules illustrate that managers share common activities. Most managers perform the following functions:

1. Planning work
2. Organizing people and resources for work
3. Staffing the business and directing employees
4. Controlling and evaluating work

As an entrepreneur you must be a good planner. If you are not, your success will probably be short-lived. When managers make a plan, they set up objectives or goals. They set up policies, procedures, methods, or programs to accomplish these goals. Plans must be constantly reviewed and updated. However, the plans themselves do not guarantee success.

After plans are made, the work must then be organized. You must identify resources and the number of people needed to carry out the plan.

The next step is staffing and directing. Staffing means hiring the employees the business needs. Directing means motivating employees to work efficiently and effectively to get the job done.

BOB DOE'S TYPICAL WEEK

Monday	Tuesday	Wednesday	Thursday	Friday
Make work assignments	Make work assignments	Take new prints to state capital for approval	Make work assignments	Make work assignments
Make sales calls on prospective clients	Pick up supplies	Lunch	Meet with subcontractor	Visit Job Site 1
Lunch	Visit Job Site 3	Make phone calls	Place material order for new building	Plan next week's work
Visit job Site 1	Lunch	Go through mail	Talk with salesperson	Lunch
Visit Job Site 2	Return calls	Figure and submit bid for job	Lunch	Make materials list for next week and place orders with suppliers
Plan work assignments	Check prints for new job	Check time sheets	Visit Job Site 3	Go through mail
Go through mail	Go through mail	Plan work assignments	Visit Job Site 2	Call service person for copy machine
			Return calls	Call ad agency
			Go through mail	Plan work assignments

JOAN SCHMIDT'S TYPICAL WEEK

Monday	Tuesday	Wednesday	Thursday	Friday
Tend shop	Tend shop	Tend shop	Tend shop	Tend shop
Tidy shop	Make craft items	Plan new display	Tidy shop	Set up new display
Go through mail	Go through mail	Go through mail	Go through mail	Go through mail
Inventory	Lunch	Lunch	Inventory	Lunch
Lunch	Afternoon off	Bookkeeping	Lunch	Go to bank
Plan the week	Give evening talk to club	Correspondence	Call handcraft workers	Design ad for next week's paper
Go to bank		Go to bank	Pick up new consignments	
Call handcraft workers		Pay bills	Pick up supplies for display	
Pick up new consignments			Update books	
Order supplies			Talk with office equipment salesperson	
Update books				

Once the plan is put into action, the quality and quantity of all results must be evaluated. If the results are satisfactory, work can continue. If problems arise, changes must be made and alternative plans may have to be developed. You must make adjustments in personnel, equipment, policies, or procedures whenever they are needed.

HOW DO MANAGEMENT FUNCTIONS WORK?

The following are examples of how management functions at work.

Planning: A small midwestern tour company decides to develop a "New England Colors Tour" that features fall colors. The tour will be marketed to senior citizen groups. Transportation will be via motor coach.

Organization: A travel plan is developed. Blocks of rooms are reserved. Motor coaches are booked. Potential groups and participants are identified.

Staffing and Directing: Tour guides and escorts are hired as well as any other employees that are needed. They are then trained in their job functions.

Controlling/ Evaluating: The tours are conducted. Tour escorts keep the tours running smoothly and take notes on trip highlights. The notes will help when the trip is evaluated for possible use next year.

WHAT ARE SOME OF THE PROBLEMS THAT MANAGERS FACE?

Unfortunately, a manager's work is not as clearcut as the preceding examples indicate. Each day, a manager deals with many different projects at different stages. A manager may be planning one project, organizing another, and supervising two more in progress. Often evaluation is informal. Even though the manager may supervise and direct a number of jobs at various stages at once, each project in itself follows the management pattern closely.

Are you capable of—

- dealing with many projects during each day
- remembering details from one project while you mentally "change gears" and concentrate on solving problems in another project
- listening calmly to a person who interrupts your work on one project to report a serious snag in another project?

Or do you react to such pressures by—

- becoming nervous and irritable
- criticizing the person presenting the project so that he or she will go away and not bother you

- forgetting project details and responsibilities
- concentrating so hard on one project that you can't recognize when another needs some of your time?

If you exhibit these symptoms when working on a tight schedule with more than one project, you will need to evaluate and pinpoint those areas you can improve.

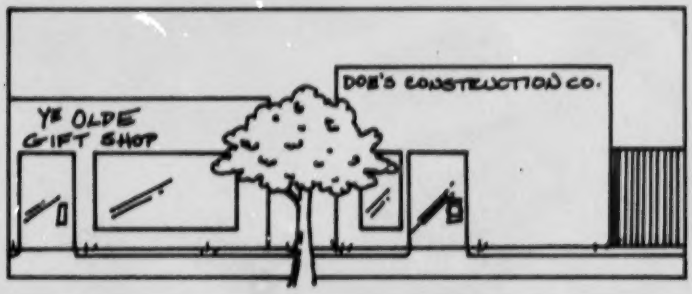
Probably you will like doing some management functions more than others. You will perform certain tasks better than others. Therefore, you will need to develop expertise in your "weak" areas or seek managerial assistance.

WHAT REWARDS DOES MANAGEMENT OFFER?

Managing a business does offer rewards. One important reward for many entrepreneurs is the personal satisfaction realized from the successful operation of their business because of *their* decisions.

A second reward is that entrepreneurs are able to exercise *all* of their managerial skills and talents; not just those skills required to do a single job. An individual's self-respect and self-reliance are thus strengthened.

A third reward is the opportunity to deal with a wide variety of people on different levels. Entrepreneurs deal daily with customers, employers, suppliers, community representatives, and many others. Also, they often enjoy greater prestige within their community than do salaried managers.



In summary, managing a small business poses both problems and rewards. Managing a business offers a satisfying way of life, a feeling of independence, and the opportunity to reap the profits from your efforts.

Managing is probably the most challenging and rewarding job in any business. Managing requires that you be accountable for your actions. Managers are held responsible for the work of everyone they employ, for company operations, and for all the decisions made. As a manager, you will need to plan, organize the work, motivate employees to carry out the tasks, and finally, evaluate the success of the plan.

ACTIVITIES

Do you feel knowledgeable about what it takes to design the components of a small business management plan? Will you be able to put some of these skills into practice? The following activities will help you experience some of the real-life situations of entrepreneurs.

INDIVIDUAL ACTIVITY

Identify three choices you must make every day (for example, what clothes to wear). Apply the decision-making process to these choices. Briefly describe what occurred at each step.

INDIVIDUAL ACTIVITY

Select a program that could be run by a business in your field of interest. (Refer to the "New England Colors Tour" example presented in this unit.) Briefly describe the program and identify the elements to be considered in planning, organizing, directing, and controlling.

SMALL GROUP ACTIVITY

Divide into small groups of three or four students. Individually, identify at least eight alternatives available to a high school student, under sixteen years of age, who is looking for a part-time job.

Compare the lists of group members. How do they differ? Did anyone arrive at unique and creative responses that others did not identify? Are there others that no one has mentioned?

After considering all lists, decide on the three most appropriate alternatives.

CASE STUDY

A school club decided to operate a gift wrapping booth at a local shopping center for a four-week period between Thanksgiving and Christmas. Gil Wylie was appointed manager of the project.

After selecting a group of students to build the booth, Gil made the following decisions. He purchased 100 rolls of assorted wrapping paper, twenty rolls of tape, and fifty rolls of ribbon. He established the goal of wrapping as many gifts as possible during the period.

Gil was also in charge of scheduling other students to work at the booth. Scheduling seemed to Gil to be a waste of time because *everyone* would help out—the profits were paying for a club trip.

Two weeks into the project, the club ran short of supplies and had to close for a time while new supplies were bought. Furthermore, several days the booth didn't have enough employees to take care of all the customers. The result was lost sales.

Even though there were hard feelings between students at the end of the project, Gil evaluated it as a success. They had earned nearly $500.

1. Would you agree witn Gil's evaluation of the project? Explain.
2. How could Gil have avoided the problems he faced? Be specific.

ASSESSMENT

Directions: Read the following assessment questions to check your own knowledge of the information in this PACE unit. When you feel prepared, ask your instructor to assess your competency.

1. Identify the manager's primary task in a business.
2. Identify the five steps in the decision-making process.
3. Identify how and where an entrepreneur can get the information needed to make informed decisions.
4. Name and describe the functions of management.
5. Identify rewards that management offers potential entrepreneurs.

SOURCES USED TO DEVELOP THIS UNIT

Broom, H. N., and Longenecker, J. G. *Small Business Management.* 5th ed. Cincinnati: South-Western Publishing Company, 1979.

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Everard, K. E., and Shilt, B. A. *Business Principles and Management.* Cincinnati: South-Western Publishing Company, 1979.

Ferner, J. D. *Successful Time Management.* New York: John Wiley & Sons, 1980.

Hodgetts, R. M. *Effective Small Business Management.* New York: Academic Press, 1982.

For further information, consult the lists of additional sources in the *Resource Guide.*

PACE

Unit 1. Understanding the Nature of Small Business

Unit 2. Determining Your Potential as an Entrepreneur

Unit 3. Developing the Business Plan

Unit 4. Obtaining Technical Assistance

Unit 5. Choosing the Type of Ownership

Unit 6. Planning the Marketing Strategy

Unit 7. Locating the Business

Unit 8. Financing the Business

Unit 9. Dealing with Legal Issues

Unit 10. Complying with Government Regulations

Unit 11. Managing the Business

Unit 12. Managing Human Resources

Unit 13. Promoting the Business

Unit 14. Managing Sales Efforts

Unit 15. Keeping the Business Records

Unit 16. Managing the Finances

Unit 17. Managing Customer Credit and Collections

Unit 18. Protecting the Business

Resource Guide

Instructors' Guide

Units on the above entrepreneurship topics are available at the following three levels:

- Level 1 helps you understand the creation and operation of a business
- Level 2 prepares you to plan for a business in your future
- Level 3 guides you in starting and managing your own business

OSU

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